

NSC BRIEFING

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3 AUGUST 1955

MORALE ON FORMOSA

- I. ChiNat morale, in general, has been under increased pressure in recent weeks as result both of Summit conference and of current "ambassadorial" talks at Geneva.
  - A. Controlled press on Formosa warns of possible "new Yalta," speaks of approaching crisis "worst since 1949." First day of talks called "black Monday."
  - B. Press clamor undoubtedly reflects high-level ChiNat fears that "ambassadorial" talks could lead to "solution" in Formosa Straits which would end ChiNat hopes for mainland return.
- II. Such ChiNat fears regarding morale on Formosa have some foundation.
  - 25X1C A. [REDACTED] states many high-ranking ChiNat generals have built up private fortunes, and have had opportunity transfer their assets to US.
  - B. This group has reportedly given up hopes for mainland return, and has had enough of Formosa. This high brass now ready to bail out.
  - C. Chiang Kai-shek would almost certainly be aware of such attitude among high-ranking generals. Ubiquitous security organization of son Chiang Ching-kuo keeps him well informed.
- III. This may throw current case of General Sun Li-jen into new focus-- possible that whole episode is move by Gimo to stiffen morale at highest military levels.

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A. Sun would be particularly useful vietim, as his destruction would demonstrate that Americans are powerless to help their freinds on Formosa.

B. Growing indications that Nats will make Sun case a cause celebre.

1. Madame Chiang has called it "very serious business," on par with Sian incident (1936)--when Gimo kidnapped by ex-Manchurian "Young Marshal" Chang Hsueh-liang.
2. Defense Ministry, in effort which Embassy calls "strained," has charged that 26 July defection of three junior officers (one a G-2 photo-interpreter and one enlisted man from Matsui is part of "Sun Li-jen plot."

IV. Sun case has been developing since early June, although Gimo did not close in on his former personal C of S until 29 July, when Sun's "resignation" under charges of sedition announced.

- A. Earlier, Gimo had told American officials of alleged "plot" by young army officers who planned mass protest at presidential revue (6 June).
- B. Protest supposedly designed to impress Gimo with need for army reform, to demand removal of C of S Peng Meng-chi and his replacement by Gen. Sun.
- C. "Plot" allegedly discovered and aborted by Chiang Ching-kuo security men. Sun says they later extracted confessions from supposed plotters by torture, implicating him.
- D. Sun has told Embassy he now waiting arrest and fearful for his life.

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- V. Whether or not Sun "plot" is Gimo plan to stiffen resolve of top military commanders, public destruction of this able officer may backfire badly.
- A. Can open wide fissures in morale of junior and middle-level commanders in ChiNat armed forces, which already under stress.
  - B. Younger officers (including division commanders) heavily indoctrinated with "back to mainland" ideology, have been chafing from inaction. If stuck on Formosa, these officers face dead-end future, since island is already overpopulated with superannuated generals.
  - C. Such commanders also under harassment by political officers, who controlled by Chiang Ching-kuo.
  - D. Forced resignation of Sun might appear to younger commanders as example of callous throat cutting possibly in store for other patriotic and outspoken officers.
  - E. Whatever effect may be within army, Sun's ouster will be interpreted as victory for young Chiang, depress morale of westernized Chinese still on Formosa.
- 1. Earlier casualty in this group was ex-governor K. C. Wu, who blasted Formosa "police state" from safety of US last year.

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